

Mark L. Peterson
Hot Rod Oil
3050 N 2050 W
Vernal, UT 84078
(435) 722-7604
Respondent

FILED

MAY 03 2016

**SECRETARY, BOARD OF
OIL, GAS & MINING**

**BEFORE THE UTAH BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

<p>NOTICE OF AGENCY ACTION FOR AN ORDER REQUIRING HOT ROD OIL TO GLUG AND RECLAIM ITS GOVT. "AF" No. 1 WELL LOCATED IN THE SE ¼ SW ¼ OF SECTION 27, TOWNSHIP 13 SOUTH, RANGE 21 EAST, IN UINTAH COUNTY, UTAH</p>	<p>RESPONSE OF HOT ROD OIL TO NOTICE OF AGENCY ACTION</p> <p>Docket No. 2016-013 Cause No. 207-03</p>
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RESPONDENT, Mark L. Peterson, doing business as Hot Rod Oil, does hereby respond to the Notice of Agency Action ("Notice") and requests that the Board find that he is in material compliance with the Notice of Violation ("NOV") issued by the Utah Division of Oil, Gas and Mining ("UDOGM") on or about August 21, 2015 regarding the Govt. "AF" No. 1 Well (API No. 43-047-30143) (the "Well") and deny the Requests for Action in this matter. In support of this request the Respondent states the following:

1. The Well is located on the lands described in the Caption above. The well site is in the vicinity of Willow Creek as described in the Notice, however Respondent is unsure of the exact distance of the wellbore from the water source. The well site was constructed in 1973 and adequately protects the creek and any other ground water sources.

2. The mineral interest underlying the location of this Well is owned by the Federal Government and administered and regulated by the Bureau of Land Management ("BLM). The mineral interest is currently under lease and Respondent is a current owner of the leasehold interest. There are also other owners of the leasehold interest.

3. The lease is currently included in the Seep Ridge Federal Exploratory Unit ("Unit") which was authorized by the BLM in 1972 and is part of Participating Area therein created to allocate production from the Well pursuant to the terms of thereof. Summit Operating, LLC is currently recognized by the BLM as the Unit Operator of the Seep Ridge Unit. The Working Interest Owners of the Unit are currently in the process of terminating the Unit.

4. Respondent is recognized by UDOGM as the current Operator of the Well. Respondent has previously reported to UDOGM that his official address is 3050 N 2050 W, Vernal, Utah, 840078. Respondent does not keep and has not reported any other official current address to UDOGM.

5. The Well produces gas and to the best of Respondent's knowledge has not ever produced oil or water. There is little chance of surface or water contamination due to production from or operation of this Well.

6. According to the records located in the office of the Uintah County, Utah Recorder the ownership of the surface upon which the wellsite is located vested in Christine DeLambert and Burton H. DeLambert, Trustess of both the Burton H Delambert Revocable Trust and the Christine Delambert Revocable Trust.

7. Respondent is not aware of any current concerns of the surface owners. Respondent's previous discussions with the surface owners have related only to future plans for the Well and ultimate reclamation. Respondent has discussed the future plans for the Well with the surface owners. UDOGM alleges in the Division Well Plugging Order it issued dated February 11, 2016 ("WPO") that it had received a letter from the landowner requesting "that the well be plugged and the location reclaimed in

order to protect against further surface damage from leaks, and so that they may farm the land again". UDOGM has not provided Respondent with a copy of this letter. The land surrounding the well site is used for grazing and one cutting of hay. The surface owner and Respondent have previously agreed to not fence the well site to allow livestock to graze on additional feed located thereon. Respondent has attempted to minimize surface disturbance so as to allow natural vegetation to be reestablished on the well site. Respondent has the property right to use the well site until the mineral resource has been fully developed and produced.

8. The Well has been shut-in since 2003. The Well remains in sound working order and is capable of additional production. The Respondent has identified additional zones that have potential production which can only be economically from the Well; however current economic conditions present an extremely high risk of cost recovery and dictate that a delay in expenditures to retrieve this additional production is prudent. Respondent has elected to wait for a better price environment before attempting to recover the additional production.

9. The pipeline that previously provided transportation of the gas produced from the Well has been abandoned and removed by its owner, QEP Field Services. A new pipeline must now also be installed to get future production from this Well to market.

10. Until recently, necessary production reports for the Well were timely filed on behalf of the Respondent. However, in June of 2015, the company with which Respondent had contracted to file these reports, along with reports for other Wells operated by Respondent, stopped reporting for this Well. Respondent is now correcting this oversight to properly submit production reports for this Well, however it should be noted that the reports will reflect no production since June of 2015, the date of the last report.

11. Respondent became aware of the NOV although it was sent to an address not authorized by or in the control of Respondent. The NOV addressed four (4) items of concern: (1) lack of well necessary

well signage; (2) Well valve corrosion and leakage; (3) Gauge problem; and (4) site condition to be in a safe and workmanlike manner. Respondent has addressed and reviewed with UDOGM field personnel its response to all of these items.

- a. Respondent has corrected the signage on location.
- b. The valve has been repacked, continues to be functional and does not leak.
- c. Contrary to the allegation of the Division in the WPO, the errant gauge reading was an indication that there was a problem with the gauge, not an indication of a downhole problem with casing and cement. A simple inspection of the gauge revealed that the gauge reading did not change when the valve was opened and closed. The well has very little pressure, less than three hundred pounds per square inch (300 PSI). The gauge has now been thoroughly inspected. A broken spring in the gauge was discovered, resulting in the gauge being removed. A working gauge will be used to regularly inspect the pressure of the Well. (A gauge may not be left on site due to the potential of vandalism and theft.)

- d. Respondent informed UDOGM field personnel that road access was inaccessible for the type of equipment necessary to address site condition concerns (Greasewood removal) until spring due to winter/wet conditions of the road. This well site work could not be completed during the winter months. Respondent will address UDOGM site condition concerns as soon as conditions allow.

12. Apparently on or about February 11, 2016 a Division Well Plugging Order ("WPO") was issued by UDOGM ordering that the Well must be plugged. It is unknown why this WPO was issued as the NOV items had been addressed. The WPO has several inaccuracies:

- a. The WPO was not sent to Respondent. The address used for the WPO is not an address that had been provided to UDOGM by Respondent. Respondent does not have access to that address and there can be no expectation that Respondent would receive a WPO sent to that address. The service of this Notice was sent to the proper address indicated above. It is unknown why a different

address was used by UDOGM. Respondent could not respond to the WPO which it did not receive nor was expected to receive.

b. The WPO indicated that it was required because “the poor condition of the well head, surface equipment, well site and overgrowth indicates many years of neglect due to lack of field presence”. This simply is not true. Respondent adequately manages the Well. The items set out in the NOV have been timely addressed and corrected. The Well’s integrity has been maintained. The Well remains capable of production from the Dakota formation and is in sound working order. Respondent has worked on the Well while it was shut in and regularly checks the well equipment and well site.

c. A surface owner has no ability to require a well be plugged as indicated by reference in the WPO. UDOGM does not have the authority to require a well to be plugged simply because a surface owner wants to farm the location. Respondent is unaware of any surface condition concerns that pose an immediate potential environmental damage concern. Respondent has not been provided a copy of the letter sent to the Division. Respondent has not been notified by surface owner of any current surface condition concern.

13. There are no conditions at the well site or within the well bore that pose an immediate potential to cause environmental damage to the surface area, Willow Creek, the Green River, and other downstream environs. This well does not produce oil or water when gas is produced and there is little if any chance of a product spill on the surface.

14. There are additional mineral resources to be recovered from this well once a new pipeline can be built to transport product to market. A lack of market is a circumstance that constitutes good cause for the Well to have been non-active and non-productive for more than five (5) years under the Act as defined in the Notice.

15. An Order to plug the well at this time is unnecessary, untimely, would interfere with the owners of the mineral estate and its leasehold owners' rights to recover additional production and will result in waste.

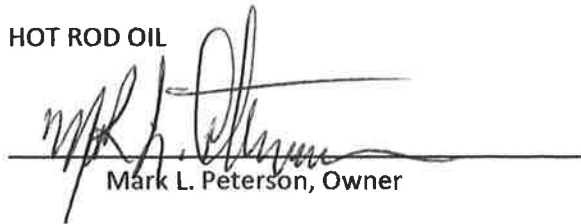
REQUEST FOR ACTION

NOW THEREFORE, Respondent requests that the Board:

1. Find that Respondent has materially complied with the NOV and has not violated the Act as defined in the Notice or rules of UDOGM;
2. Deny the UDOGM motion for the Board to order Respondent to plug the Well and restore the well site; and
3. Deny the UDOGM motion to seek civil penalties in district court.

Respectfully submitted this 2nd day of May, 2016.

HOT ROD OIL

A handwritten signature in black ink, appearing to read "Mark L. Peterson", is written over a horizontal line. The signature is stylized with a large initial "M" and a long, sweeping underline.

Mark L. Peterson, Owner

CERTIFICATE OF SERVICE

I hereby certify that on the 22nd day of May, 2016, I caused to be mailed, postage prepaid, a true and correct copy of the foregoing **RESPONSE OF HOT ROD OIL TO NOTICE OF AGENCY ACTION** to the following:

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